fundamental factors at work which may ensure a modest reduction in the long run inflation outlook over the next three years. Wage demands have recently moderated under the pressure of increasing unemployment and the poor outlook for future job growth. This slower growth of wages--averaging about 7.5% annually over the next two years compared with 9% in 1980 and 1981--coupled with relaxed work rules which improve productivity should help hold down unit labor costs and ultimately consumer prices.

Continued slower growth of world oil prices during the rest of 1982 and higher productivity increases as the recovery gathers momentum next year should also help hold down inflation. Consumer prices are predicted to increase just 7.0% this year and 8.3% in 1983-- still high, but significantly below the double-digit rates experienced since 1979.

While the moderation of inflation to single digits has been the main benefit from the current recession, this has already been accompanied by a significant increase in unemployment. The unemployment rate was 8.8% in February and is expected to average around 9% this year, an increase of 1.5 percentage points and 1,500,000 jobs from 1981. This will add over $5 billion to the federal budget from increased unemployment compensation claims and subtract over $15 billion from tax receipts.

The Federal Budget: An Overview

The Administration's proposed FY1983 budget offers little to reduce exploding federal deficits and take pressure off high interest rates.

Under the FY1983 budget, federal spending would increase to $757.6 billion, up 4.5% on 1982, and FY1983 taxes projected to increase to $666.1 billion. This would push the 1983 budget deficit to $91.5 billion ($107 billion if "off budget" items are included)--down only slightly from the record $98.6 billion deficit predicted for FY1982. According to the Administration's forecasts, the federal deficit will decline only slowly in later years, with an $82.9 billion deficit expected in FY1984 ($97.2 billion including "off budget" spending) and a $71.9 billion deficit projected in FY1985 ($82.8 billion including "off budget" spending).

Even this gloomy outlook for record federal deficits probably understates the true picture. Over the past three years, actual federal spending has exceeded initial Administration estimates by an average of over $42 billion each year (see Table 1) and there is considerable evidence that overruns of comparable magnitude are occurring this year. Also, some of the spending reductions proposed by the President are unlikely to be enacted by Congress, especially since they ignore the need to slow defense and some entitlement spending, but instead are concentrated in other areas which had already been trimmed in FY1982. In addition, the Administration's underestimates of next year's inflation, unemployment and interest rates will also push FY1983 spending above the levels currently projected by the President. Overall, this year's deficit is likely to reach $126 billion ($146 billion if "off budget" items are

included). The FY1983 deficit may be slightly higher at $148.3 billion ($164 billion if "off budget" items are included).

TABLE 1

OVERRUN IN FEDERAL SPENDING CONTRASTED
TO PRESIDENT'S ORIGINAL COMMITMENTS
(Dollars in Billions)

Fiscal Year	Initial (January) Budget Estimate	Actual Budget Spending	Spending Overrun	
			Percentage	Amount
1972	$229.2	$232.0	1.2	$2.8
1973	246.3	247.1	0.3	0.8
1974	268.7	269.6	0.3	0.9
1975	304.4	326.2	7.1	21.8
1976	349.4	366.4	4.9	17.0
1977	394.2	402.7	2.2	8.5
1978	440.0	450.8	2.4	10.8
1979	500.2	493.6	-1.3	-6.6
1980	531.6	579.6	9.0	48.0
1981	615.8	660.5	7.3	44.7
1982	695.3 (3/10/81)	May 15 -Congress 695.5e	0.0e	0.2e
		July 15 -President 704.8e	1.4e	9.5e
		Sept. 10 -CBO 723.0e	4.0e	27.7e
		Sept. 24 -President 709.3e	2.0e	14.0e
		Feb. 8 -President 729.2ef	4.9e	33.9e
		-REALTORS® 742.7ef	6.8e	47.4e
72-82 Average			3.7e	17.8e
1983	762.1f	Feb. 25 -CBO 785.1ef	1.7	13.0

e = estimate
f = adjusted for comparability by increasing $4.4 billion in 1983 and $3.9 billion in 1982 for SMI and VSI Insurance premiums excluded from spending figures starting in 1983 budget.

SOURCE: Budgets of the U.S. Government, First Concurrent Budget Resolution 1982, Congressional Budget Office Reports, and public statement of the President.

Deficits of this size place severe strains on capital markets, pushing up interest rates and crowding out housing and other interest sensitive investment. For example, both the FY1982 and FY1983 deficits will absorb over 100% of personal savings and about 27% of total private savings. This will be the largest share of personal savings (and investable funds) absorbed by the federal government in the U.S. since 1947 and is significantly higher than the corresponding shares in other major industrial countries (see Table 2).

TABLE 2

CENTRAL GOVERNMENT DEFICITS IN
MAJOR INDUSTRIAL COUNTRIES

Country	FY1982 Deficit 1/ $US billions	FY1982 Deficit 1/ % of Personal Savings in 1982 2/	Real Long-Term Interest Rates
United States	118.3 (145.5) 3/	100.2 (111.0)	7-8
Japan	31.8	18.3	2-3
West Germany	23.2	37.8	3.0
France	11.6	19.0	3.0
United Kingdom	15.6	62.5	5

1/ Federal deficit for U.S., general government current account deficits for calendar 1982 for all other countries.

2/ 1982 personal savings figures for all countries other than the U.S. supplied by Wharton Econometric Forecasting Associates.

3/ Figures in parenthesis are REALTOR® estimates.

Together with the Federal Reserve Board's excessively tight restrictions on the growth of credit, financing of the federal deficits of this size can only occur by pushing up both long and short term rates and stifling economic growth.

To bring the budget closer to balance and restore confidence to financial markets, the federal government must adopt a much more stringent control over spending. Federal outlays in FY1982 need to be reduced by at least $15 billion

and FY1983 outlays lowered by over $40 billion from the levels currently proposed by the President so that FY1983 outlays total less than $723 billion. Outlay reductions of this magnitude cannot be accomplished without including the "sacred cows" of defense spending and all entitlement programs in the areas to be trimmed. Even so, increased revenues will have to be raised to further lower next year's enormous deficit if significant interest rate reductions are to be achieved.

Any revenue increases, however, must not disproportionately harm the already meager savings and investment flows, but instead should impact primarily on consumer spending. This could be accomplished by, for example, deferring the 10% individual tax cuts scheduled for 1983. This could reduce the deficit by as much as $9 billion in FY1983. Increases in federal excise taxes and accelerated decontrol of domestic natural gas prices offer additional hope for lowering the deficits with only limited reduction of savings and investment.

With such a movement towards a much lower deficit, the Federal Reserve Board would be less restraining and allow significant reductions in interest rates, which would allow improvement in investment in housing and new plant and equipment. Long-term interest rates could fall by 2-3 percentage points next year, boosting housing starts in 1983 by over 500,000 units and resales of existing homes by over 1 million units.

Mortgage Markets

Mortgage rates moved sporadically, but generally fell during the month of February. Yields on mortgages purchased by the Mortgage Corporation moved from 17.7% at the beginning of February to 17.1% at the close of the month. Mortgage rates are expected to continue declining slowly with other market rates through the spring. However, there are factors that will keep them relatively high. First, as the rates fall, demand for mortgages will begin to outstrip supply because in a falling market, thrifts have increasing difficulty attracting deposits. Also, thrift deposits continue to flow more into the market rate yielding deposits and less to the regulated or subsidized rate deposits which keeps their average cost of funds high, despite the introduction of the All Savers Certificates. Finally, as their average cost of funds continues to squeeze their earnings margin from their average portfolio yeild, new mortgages will have to have a premium to compensate for the old low yielding mortgages. Mortgage interest rates could bottom near 15% by the Summer, but will begin to climb during the recovery as credit demands strengthen. New mortgage rates should be near 16.5% by year end.

The condition of thrifts continues to deteriorate. Savings and loans lost nearly $5 billion dollars in 1981 and a record $864 million in January. The poor outlook for thrift institutions has even prompted some regulatory officials to now seek public reassurance from the Administration that the FDIC and FSLIC will be fully backed by the U.S. Treasury.

Consistent with their deteriorating condition in 1981, Savings and Loan Associations showed a slowdown in both deposit growth and mortgage lending activity during January. Although deposit balances incrased by $1.8 billion, net new deposits declined $300 billion after deduction by $2.1 billion in interest credited. Market rate accounts increased with the 2-1/2 year variable ceiling certificates up by $5 billion. The inflow of funds into All Savers Certificates was again disappointing as they increased $1.1 billion. This brought the total to date to $20.9 billion held in these accounts in savings and loans.

Mutual savings banks saw a decline of $200 million in deposits in January with net new deposits declining by $1 billion. All Savers Certificates at mutual savings banks were up $300 billion to a total of $5.0 billion.

Mortgage lending by savings and loans was down in January to $2.3 billion from December's $3.7 billion. This was due more to the relatively large December number as January was more in line with October and November. New mortgage commitments were also down in January for savings and loans to $3 billion from $4.1 billion in December. Both commitments and lending activity were down more than seasonally for this time of the year.

Commercial bank deposits also were down an exceptional $23.2 billion on $527 billion total deposits during January. Commercial bank deposits had increased only $7 billion during all of 1981. The losses primarily came out of demand deposits as they fell $25.7 billion. Bank lending also declined during January as total loans and securities outstanding fell $8.4 billion. As reserves were squeezed, borrowing from the Federal Reserve reached more than $4 billion at the end of January from $436 million December 30th.

As mortgage rates fall, mortgage lending activity will improve. This will probably start during mid-April as mortgage rates approach 16%. However, continued inability of depository institutions to effectively compete for funds will continue to limit the growth of mortgage lending throughout the year.

Housing Activity

Just like the weather in much of the country, housing markets have been snowbound and frozen for the last several months. January was especially severe as existing home sales fell farther to a 1.8 million unit annual rate, while housing starts remained at 0.9 million units. Both measures are less than half that needed to adequately house the population.

As the Spring weather thaw approaches, housing markets likewise appear poised for a recovery. Long-term mortgage rates have declined slightly, and the further declines expected during the Spring and Summer should renew some interest by homebuyers. Optimism must be guarded, however, by the risk of new hikes in interest rates stopping the recovery before it gets underway. Moreover, the outlook is for a very gradual recovery path. Existing home sales will total roughly 2.4 million units during 1982, up 25% from current levels;

3.2 million in 1983, up 60% from current levels; and 3.7 million in 1984, up 105% from current levels. Even 1984, however, is not expected to exceed the 3.86 million normal market of 1978.

Housing starts are also expected to pick up during 1982, and to gain strength as the recovery continues. Approximately 1.1-1.2 million housing starts can be expected this year, with increases to 1.4-1.5 million in 1983 and 1.5-1.7 million in 1984.

The housing depression has removed the extreme inflation which had plagued the housing market in recent years. In January, existing home prices stood a mere 3.6% above a year earlier. This is noticeably below the year-to-year change in the CPI. New homes also have low levels of price change. Since housing prices are increasing less rapidly than inflation, the real cost of housing is declining. Moreover, prices are being kept higher because sellers are incurring direct expenses to provide the below-market financing which makes the transaction viable. This sluggish performance can be expected to continue while the market begins the long climb to recovery. However, by Spring of 1983, housing price appreciation can be expected to surpass the inflation rate, adding some luster to the investment aspect of the housing market. Very little change is expected, though, in the proportion of income which must be devoted to housing expenditures.

From the time that the housing cycle began to decline three years ago, approximately 3.2 million existing home sales with an aggregate value of $229 billion have been lost. In addition, approximately $250 billion in damage to the economy has been caused by the low levels of housing construction and the purchases usually made in conjunction with buying or selling a home. Because the cycle is still at the low point, these costs could double before the housing depression ends.

Commercial and Industrial Real Estate

The released figures for 1981 showed that construction in the U.S. had an increase solely on the strength of commercial construction. Contracts for commercial, industrial and institutional building increased 11% during 1981. Office building actually boomed during 1981 as there was 317 million square feet of new office space added. This was a record as the previous peak, in 1973, was only 195 million square feet.

Public construction, suffering from budget cuts on both the federal and state level totaled $53.5 billion during 1981. This was 3% below 1980 and down 7% in real terms. Continued high interest rates, tight government budgets for construction spending and selected oversupply of office space in some cities will combine to limit commercial and industrial construction during this year. However, after this year, governments and businesses will have improved financial positions after government fiscal policy changes and businesses consolidate. With building supply down from the slow construction activity over last year and this year, construction activity will show strong growth in 1983.

Table 3

U.S. ECONOMIC OUTLOOK

MARCH 1982

	QUARTERS							YEARS					
	Actual		Forecast					Actual			Forecast		
	81:3	81:4	82:1	82:2	82:3	82:4	83:1	1979	1980	1981	1982	1983	1984
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,965	2,995	2,996	3,035	3,120	3,224	3,313	2,414	2,626	2,925	3,094	3,433	3,790
Percent Change	11.4	4.2	0.2	5.3	11.7	14.0	11.5	12.0	8.8	11.4	5.8	10.9	10.4
Percent Change (without inflation)	1.4	-4.7	-5.4	-1.1	4.9	5.0	3.5	3.2	-0.2	2.0	-1.5	3.2	3.2
Consumption	3.3	-2.3	0.2	0.2	5.7	3.8	3.3	2.9	0.5	2.5	0.9	3.1	2.7
Durables	8.6	-18.8	7.5	-3.3	26.5	10.3	4.2	0.2	-7.4	2.6	0.2	5.9	3.9
Nondurables	2.1	-0.7	-1.8	-0.6	1.3	2.0	2.6	2.6	1.1	2.5	0.0	2.0	1.8
Services	2.6	1.9	-0.2	1.9	3.7	3.4	3.6	4.1	2.6	2.6	1.8	3.2	3.1
Residential Investment	-36.3	-28.2	-8.5	19.5	36.7	49.5	19.6	-5.2	-18.6	-6.1	-5.9	19.6	11.8
Nonresidential Investment	7.1	-5.3	-11.6	-4.9	0.7	3.1	4.5	6.5	-3.0	2.4	-4.0	3.5	5.7
Structures	8.4	4.5	-10.0	-11.9	-9.1	-6.4	0.4	8.7	-0.1	5.1	-4.3	-2.1	3.1
Equipment	6.3	-9.2	-12.5	-1.4	5.5	7.7	6.4	5.5	-4.2	1.2	-3.8	6.0	6.8
Exports	-3.4	-13.9	-3.5	1.1	2.8	3.5	4.7	15.2	9.6	-0.9	-3.5	4.2	4.8
Imports	5.3	-0.7	-1.1	1.6	6.4	9.0	7.4	6.0	-0.1	5.5	2.7	6.3	4.4
Government Purchases	-1.6	10.5	-7.5	-2.2	-1.2	-1.0	0.0	1.5	2.9	0.6	-1.3	-0.5	0.5
Consumption (% of GNP)	63.5	63.9	64.8	65.1	65.2	65.0	65.0	62.8	63.2	63.5	65.0	65.0	64.7
Residential Investment (% of GNP)	2.8	2.6	2.6	2.7	2.9	3.2	3.3	4.0	3.2	3.0	2.9	3.3	3.6
Nonresidential Investment (% of GNP)	10.8	10.8	10.6	10.5	10.4	10.4	10.4	11.0	10.7	10.7	10.5	10.5	10.8
Inventory Change ($ billions)	27.5	12.6	-4.9	-11.1	-6.1	6.1	9.9	17.5	-5.9	17.0	-4.0	11.3	18.5
Mfg. Capacity Utilization Rate (%)	79	75	70	71	73	75	76	86	79	78	72	76	77
Auto Sales (millions of units)	9.1	7.4	8.2	7.6	8.8	8.8	9.0	10.6	9.0	8.6	8.4	8.9	9.3
Manufacturing Industrial Production (% change)	0.3	-18.2	-20.9	2.4	13.8	13.0	7.7	4.6	-4.5	2.5	-5.4	7.6	4.8
Common Market	-2.6	4.4	1.8	3.1	4.3	4.3	3.3	4.7	0.2	-2.2	2.2	3.1	2.3
Japan	6.0	11.9	3.1	4.5	2.8	5.6	8.4	8.2	6.8	3.1	5.2	5.2	3.1
Employment (millions)	100.7	100.0	99.3	99.4	99.9	100.5	101.1	98.8	99.3	100.4	99.8	102.3	105.2
Unemployment Rate (%)	7.4	8.4	8.8	9.2	9.2	9.1	9.0	5.9	7.2	7.6	9.1	8.7	8.0
Disposable Income per Household (average)	26,349	26,878	27,153	27,559	28,523	29,217	29,876	21,565	23,748	26,040	28,113	30,923	33,656
Percent Change -- Year Ago (w/o inflation)	1.5	1.1	0.3	0.3	1.8	2.4	3.2	2.2	-0.1	1.2	1.2	3.0	2.1
Total Taxes per Household (average)	13,651	13,503	13,358	13,515	13,480	13,782	13,986	11,106	12,057	13,469	13,534	14,122	15,058
Percent Change -- Year Ago	13.0	6.4	0.1	1.0	-1.2	2.1	4.7	10.5	8.6	11.7	0.5	4.3	6.6
Percent of Disposable Income	51.8	50.2	49.2	49.0	47.3	47.2	46.8	51.5	50.8	51.7	48.2	45.7	44.7
Household Debt as Percent of Disposable Income	77.6	77.1	77.3	77.1	75.5	75.2	75.2	80.2	79.4	77.7	76.2	75.1	76.1
Consumer Price Inflation (CPI)	11.8	7.8	4.3	6.0	7.1	8.2	9.1	11.3	13.5	10.3	7.0	8.3	8.5
Gross National Product Inflation (GNP Deflator)	9.9	9.3	5.8	6.5	6.5	8.5	7.8	8.5	9.0	9.2	7.4	7.5	7.0
Personal Consumption Inflation	9.1	7.8	5.5	5.8	6.1	7.1	7.4	8.9	10.2	8.3	6.7	6.8	6.6
Residential Construction Inflation	7.1	6.4	8.9	6.8	8.7	10.2	10.3	12.8	9.4	6.9	7.7	9.6	8.9
Nonresidential Construction Inflation	8.6	10.7	9.1	8.1	8.9	10.3	10.9	12.6	13.4	9.5	9.5	10.0	8.8
Producers Price Inflation (WPI)	4.7	0.6	2.6	4.2	7.2	9.4	9.3	12.5	14.1	9.1	4.2	8.2	8.5
Compensation per Manhour (% change)	9.6	6.3	9.0	7.8	7.8	8.4	8.9	9.7	9.9	10.0	8.2	8.4	8.9
Productivity (% change)	-2.0	-7.4	-3.8	0.4	4.5	3.1	2.5	-0.7	-0.3	0.8	-1.7	2.4	1.6
Unit Labor Cost (% change)	11.5	15.0	13.3	7.4	3.2	5.1	6.2	10.4	10.3	9.1	10.1	5.8	7.1
Unit Capital Cost (% change)	9.5	8.8	8.3	8.0	7.7	7.5	7.3	11.3	11.3	9.8	7.9	7.4	8.1
Before Tax Corporate Profits ($ billions)<1>	263	227	206	203	218	235	245	255	258	259	215	253	284
Corporate Tax Liability	78	67	58	57	63	69	70	88	82	77	61	73	79
'Windfall Profits' Tax Receipts	29	26	26	24	25	26	24	0	13	29	25	23	26
Inventory Valuation Adjustment	-25	-22	-10	-15	-17	-21	-25	-43	-46	-28	-16	-24	-36
Capital Consumption Adjustment	-13	-13	-10	-7	-4	-2	2	-16	-17	-14	-6	3	5
After Tax Profits	156	134	122	122	131	140	151	168	163	153	129	157	179
Profits from Current Production (with IVA, CCA)	118	99	103	100	109	118	128	109	100	112	107	136	148
Adjusted for Inflation (81:3 base)	118	97	99	95	102	108	115	131	111	113	101	119	121
Percent Change - Year Ago	8.3	-6.8	-17.5	-18.9	-13.3	11.2	16.5	-1.6	-15.7	1.8	-10.6	17.8	1.7
Per Unit of Output (% of GNP)	4.0	3.3	3.4	3.3	3.5	3.7	3.9	4.5	3.8	3.8	3.5	4.0	3.9
Effective Corporate Tax Rate (%)<1>	41	41	37	37	38	38	36	45	45	41	38	36	36
Federal Tax Receipts (Unified basis)	627	589	524	720	585	567	571	481	533	623	599	648	710
Federal Expenditures (Unified basis)	661	782	709	722	706	770	788	509	601	695	727	799	853
Surplus or Deficit (Unified basis)	-34	-193	-185	-2	-122	-203	-217	-28	-68	-73	-128	-151	-144
% of GNP	-1.2	-6.4	-6.2	-0.1	-3.9	-6.3	-6.5	-1.2	-2.6	-2.5	-4.1	-4.4	-3.8

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

Table 4

REAL ESTATE AND FINANCIAL MARKETS

MARCH 1982

	QUARTERS							YEARS					
	Actual		Forecast					Actual			Forecast		
	81:3	81:4	82:1	82:2	82:3	82:4	83:1	1979	1980	1981	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	2,253	1,923	1,981	2,137	2,489	2,837	2,973	3,701	2,881	2,351	2,361	3,185	3,675
Percent Change - Year Ago	-25.7	-34.6	-23.8	-18.8	10.5	47.5	50.1	-4.2	-22.2	-18.4	0.4	34.9	15.4
Dollar Volume (billions)	179.7	149.2	155.0	172.2	207.3	233.3	249.4	237.6	209.7	184.1	191.9	280.0	360.4
Existing Home Prices - Median ($1000's)	67.6	66.2	67.2	69.6	72.2	71.5	73.2	55.7	62.2	66.4	70.1	76.7	85.9
Percent Change - Year Ago	4.9	4.5	4.5	4.8	6.9	8.1	8.9	14.4	11.7	6.8	6.1	9.4	12.0
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	786	795	780	753	757	780	820	433	588	742	768	833	936
Percent of Household Income	30	30	29	28	27	27	28	20	25	29	28	28	29
New Single-Family Home Sales (thousands)	360	397	374	461	535	512	506	709	530	426	471	589	615
Percent Change - Year Ago	-40.2	-26.6	-26.6	3.9	48.9	28.8	35.2	-13.7	-24.5	-19.5	10.0	25.1	4.5
New Home Prices - Median ($1000's)	69.8	70.0	71.2	72.5	74.2	76.3	78.5	62.9	64.5	68.8	73.5	81.7	90.4
Percent Change - Year Ago	6.2	5.2	5.9	5.0	6.3	9.0	10.2	12.9	2.5	6.7	6.6	11.1	10.5
New Home Prices--Mean ($1000's, Quality Adjusted)	85.9	86.7	90.2	92.6	93.4	94.5	98.4	71.4	78.5	85.3	92.7	101.2	110.2
Percent Change - Year Ago	7.4	8.0	8.3	8.6	8.7	9.0	9.1	14.8	10.1	8.6	8.6	9.2	8.9
New Mortgage Commitments ($ billions)	47.9	42.5	45.6	61.9	87.3	86.2	80.9	129.0	87.1	59.5	70.2	69.1	112.9
Percent Change - Year Ago	-59.5	-55.6	-41.6	-10.8	82.1	102.8	77.3	-8.8	-32.5	-31.7	18.0	-1.7	63.5
Mortgage Debt Outstanding ($ billions)	1,525	1,555	1,589	1,622	1,660	1,696	1,729	1,266	1,401	1,512	1,642	1,780	1,948
Homeowners' Equity ($ billions)	2,946	2,984	3,028	3,065	3,114	3,190	3,280	2,611	2,750	2,913	3,099	3,439	3,880
Housing Inventory (millions)	84.6	84.7	84.8	84.8	84.9	85.1	85.3	82.8	83.8	84.5	84.9	85.6	86.4
Private Housing Starts (thousands)	962	871	899	986	1,189	1,363	1,316	1,745	1,292	1,085	1,109	1,374	1,629
Single-Family	644	540	602	650	822	974	909	1,194	852	706	762	944	1,178
Multi-Family	317	331	297	336	367	389	406	551	440	379	347	430	451
Subsidized	98	104	136	143	136	113	75	175	173	106	132	52	10
Mobile Home Shipments (thousands)	246	207	192	186	201	218	225	276	223	240	199	221	216
Rental Vacancy Rate (%)	5.0	5.0	5.0	4.9	4.8	4.8	4.7	5.4	5.4	5.0	4.9	4.7	4.5
Unsold New Homes (% of sales)	88.9	75.3	79.3	78.2	73.5	67.4	63.1	59.5	70.2	76.1	74.6	64.5	70.8
Office Vacancy Rate (%)<1>	4.4	4.8	5.0	5.0	4.9	4.9	4.8	4.4	3.7	4.3	5.0	4.6	4.2
Industrial Vacancy Rate (%)<1>	3.7	3.8	4.0	4.1	4.2	4.4	4.3	3.0	3.5	3.7	4.2	4.3	3.9
New Commercial Building Construction (% Ch Value)	12.5	0.5	-3.4	0.2	-1.7	2.6	14.0	33.8	21.7	11.1	0.3	10.3	14.9
New Industrial Building Construction (% Ch Value)	68.3	2.8	-17.9	-36.2	13.6	17.5	29.0	37.2	-6.7	20.5	-3.1	21.6	35.4
FINANCIAL MARKETS													
Personal Savings Rate (%)	5.2	6.1	5.9	6.2	7.0	7.0	6.9	5.3	5.6	5.3	6.5	7.4	8.0
Money Supply (M1b) (% change)	0.2	5.9	9.0	1.4	6.4	3.4	4.5	7.8	6.2	6.7	5.2	4.2	4.1
Money Supply (M2) (% change)	8.6	9.1	14.8	5.0	6.8	9.6	8.7	8.9	8.7	9.1	9.6	8.8	11.3
Total Time and Savings Deposits (% change)	6.7	6.2	7.1	9.2	9.7	9.2	9.2	8.6	7.5	8.7	7.6	8.9	7.6
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	17.35	17.95	17.31	16.10	15.58	16.23	16.68	11.27	14.00	16.71	16.30	16.16	16.22
'People-to-People' Mortgage Rate	13.00	12.80	12.50	12.10	12.30	12.50	12.70	NA	11.25	13.15	12.35	11.90	11.70
Corporate Bond Rate (AAA)	14.92	14.62	14.81	14.43	13.94	14.12	14.24	9.63	11.94	14.17	14.32	14.17	14.25
Government Bond Rate	15.61	14.11	14.39	12.45	12.30	13.11	13.56	9.62	11.51	14.34	13.06	13.37	13.15
Federal Funds Rate	17.58	13.59	14.70	12.32	12.76	14.33	15.18	11.19	13.36	16.38	13.53	15.87	14.74
3 Month Treasury Bills	15.05	11.75	13.40	11.28	11.67	12.79	13.47	10.07	11.43	14.03	12.28	14.02	13.32
1 Year Treasury Bills	16.32	13.55	14.77	12.39	12.56	13.31	13.79	10.67	12.05	14.78	13.26	14.07	13.46
Commercial Paper Rate	16.77	13.04	14.06	11.88	12.42	14.21	15.12	10.97	12.66	15.33	13.14	15.71	14.43
Rate on Money Market Fund Shares	17.21	13.31	14.42	12.13	12.67	14.50	15.43	11.12	12.89	15.68	13.43	16.01	14.71
Prime Rate	20.32	17.01	16.79	14.93	15.25	16.82	17.18	12.67	15.27	18.87	15.95	17.18	15.78

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

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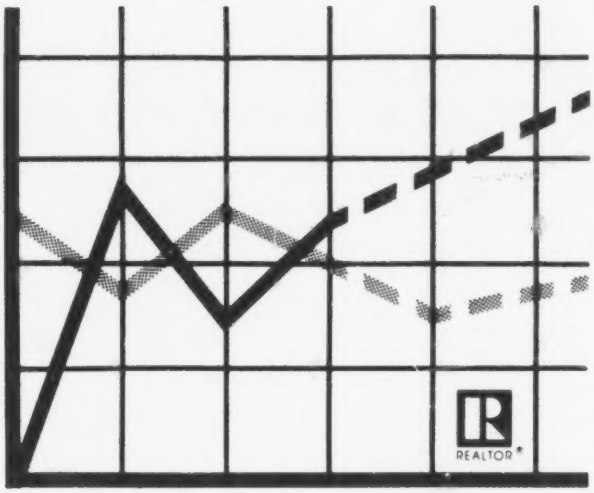
OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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April 1982

U.S. ECONOMIC AND REAL ESTATE OUTLOOK

Despite the continued economic downturn and an encouraging decline in inflation, long-term interest rates stayed at new record levels and housing activity remained depressed during the first three months of the year. A recovery in both housing and the rest of the economy should begin in late Summer, but this will be less than normal in strength as exploding federal deficits and tight monetary policies keep interest rates high.

The Overall Economy

Economic activity continued to decline during the January to March quarter as investment in new plant and equipment and exports declined dramatically and housing and auto purchases remained depressed. This news was particularly disappointing considering the tax incentives designed to stimulate investment enacted last year and the hefty rebates being offered on domestic car purchases during the first quarter.

The culprit for this dismal performance is the current record interest rates. All interest sensitive sectors of the economy, including housing remain in the economic doldrums and high short-term rates have also made the dollar significantly overvalued on foreign exchange markets. As a result, American exports are being priced out of traditional markets and imports are growing rapidly.

The outlook is somewhat more encouraging later in the year. After declining at an annual rate of 4.4% during the first quarter of the year, overall output should drop a further 1.4% (annual rate) in the April to June quarter. However, the Summer recovery should see output rising again as the second round of tax cuts and hikes in social security payments boost consumer spending, and housing and exports make modest rebounds. Nevertheless, as long-term government bond rates remain around 13% and new mortgage rates hover in the 15-16% range, overall growth rates during the early stages of the next recovery should be restricted to around 3%--only about half the growth normally experienced in other post-war recoveries. The economy is expected to sustain this 3% growth rate through 1984 in what is definitely a subnormal performance after 3 years of virtual stagnation. This poor recovery should keep the unemployment rate up over 9.0% during this year's election--not a very comforting thought for those incumbents who have been unsuccessful in bringing down the federal deficit which is causing high interest rates and the recession.

Two and a half years of exceptionally tight monetary policy is finally showing an impact on inflation. The consumer price index rose at an annual rate of 3% in February, marking the fifth successive month of single-digit inflation and down 9 percentage points from the inflation rate one year ago. Most of the improvement reflects declines in world oil prices as a result of the recent oil glut and falling home prices. Mortgage rates, stuck at a whopping 17%, are at least no longer increasing as they were a year ago and this has also contributed to the observed slowdown in consumer inflation.

In addition to these special factors, there has been a significant decline in the underlying inflation rate. Wage costs are expected to increase about 8% this year, almost 2 percentage points below last year's 10%. As labor productivity improves during the modest recovery, this slowdown in labor costs should keep inflation down to about 8% in both 1983 and 1984.

Federal Economic Policy: Why have interest rates stayed so high?

Although the tight monetary policy of the past 30 months has undoubtedly contributed to the slowdown in inflation, this has been achieved at a high cost. Underlying inflation has been lowered by about 2 percentage points, but between 1980 and 1982, real economic growth will have been reduced about 3 percentage points a year. In other words, most of the impact of tight monetary policies when combined with exploding federal deficits has been in reduced real incomes, not reduced inflation.

The cost in lost output is staggering: this 3% per year slower real growth represents almost $550 billion in lost output between 1980 and 1982, or nearly $7,000 per household. Even more importantly, the improved inflation performance could have been achieved with only a small slowdown in real growth with smaller deficits and modest increases in money growth.

Monetary policy has been and will remain too tight to allow adequate room for investment and an expanding economy. For example, the Federal Reserve Board is targeting growth in basic money supply at a mere 2-1/2 to 5-1/2% this year. This is significantly less than the more than 8% basic credit growth needed to finance an economy growing at 3% while at the same time placing downward pressure on inflation. This almost exclusive reliance on tight credit growth and loose fiscal policy pushes interest rates up dramatically and crowds out investment in housing and business. To allow for faster real growth, the Federal Reserve Board should announce higher credit growth figures, increasing this year's upper target for increases in the basic money supply to 7-1/2%. In addition, the Fed needs to achieve a steadier growth in credit and to ensure that a few components of the money supply such as money market funds do not continue to grow excessively (currently around 85% per year) while restricting savings and time deposit growth to 4.7% per year.

However, the major culprit behind the current record long-term interest rates is the threat of exploding federal deficits over the next 3 years. Spurred on by excessive growth in federal spending, the deficit has been rising continuously from $40 billion in 1979 to an estimated $145 billion this year. While some effort has been made to restrain spending growth in FY1982, a much sharper slowdown was needed. Further slowdowns have been proposed by the President for FY1983, but again these are insufficient to stop the deficit exploding to an estimated $164 billion in FY1983 and $162 billion in FY1984.

Slowing spending growth is always politically difficult, but the problem has been compounded this year by the concentration of the proposed slowdowns in selected areas of the budget. Spending in the "big ticket" areas such as defense and social security entitlement programs have not so far been included in the budget cutter's

net. Yet without slowdowns in these areas, it is doubtful if overall spending growth can be reduced enough to adequately lower the deficit.

The size and structure of the tax changes are also adding to the high interest rate problem. The tax law changes enacted last year were too heavily directed at stimulating consumer spending and insufficiently targeted to encourage higher savings and investment. The tax cuts will also reduce revenue by $139 billion next year--over two and a half times larger than the spending slowdowns that have so far been achieved.

Interest rates are caught in the squeeze from all policy directions. The government's fiscal policies cause expanding deficits which take a record claim on the supply of savings. At the same time, the structure of the tax law changes doesn't do enough to increase savings flows.

With the prospect of a continuing drain on savings flows from the massive deficits, and with continued tight monetary policies, long-term interest rates will remain high despite the drop in inflation and declining real output.

Interest Rates

Continued uneasiness in financial markets over the outlook for the federal deficit has kept short term interest rates generally rising since last December. For example, the 3-month treasury bill rate fell to a low of under 11% in December (compared to 19% in July, 1981) as the economy contracted sharply in the first quarter of 1981, but the bill rose back up to 13.25% at the end of March.

After financial markets have had time to digest the current lower inflationary expectations and the magnitude of the first quarter decline in economic activity is known, short term interest rates may start downward again, with the 3-month bill rate falling to around 11.5% in early summer. This slide is likely to be short-lived however, as federal borrowing increases and economic activity picks up during the Fall. This could push the bill rate back up to 14% next Winter.

The risk of a major increase in short term interest rates by early 1983 is a major reason why mortgage interest rates and other long-term rates have yet to ease from last year's peak levels as dramatically as have short-term rates. Lending institutions are reluctant to commit to long-term assets at lower interest rates when these may have to be financed by higher cost borrowing at the end of the year. This stickiness in long term rates during recessions is fairly typical of the post war period. Nevertheless, there remains some room for declines in mortgage rates by summer as pressure eases temporarily on short term rates and mortgage rates move closer to other long-term yields such as those on corporate bonds. Still, mortgage rates on new commitments are unlikely to fall much below 15.5% before starting back up to over 16.5% early next year.

Mortgage Markets

Deposit flows improved at major mortgage lenders during February. Net new deposits at savings and loan associations reversed the $.1 billion outflow in the previous month to a record $.7 billion February inflow. Commercial banks, who have not suffered as much as thrifts with respect to deposit outflows, also showed a February deposit increase of $3.3 billion (or an increase in net new deposits of $.9 billion after subtracting out interest paid). Although mutual savings banks continued to suffer deposit outflow the $285 million outflow in February was a significant improvements, over January's outflow of $1.1 billion.

Despite this improved deposit flow, mortgage lending activity has remained depressed as interest rates remain high. Mortgages closed at savings and loan associations in February stood at $2.3 billion--virtually unchanged from January. However, there is some indication that new commitments improved in March and this may signal the start of a modest but gradual improvement in housing activity.

Mortgage loans outstanding at mutual savings banks declined $245 million in January, but this was more an indication of December's increased activity rather than a downward trend. At $99.8 billion, the value of mortgage loans outstanding is nearly unchanged from levels last Fall. Real estate lending by commercial banks in February at $678 million was less than half the January rate and the lowest level since October.

The Depository Institution Deregulatory Comittee authorized two new deposit instruments for depository institutions, but the impact of these new instruments on thrifts may not be all good. One will be a new 91-day certificate tied to the rate on 3-month treasury bills. It will also carry a minimum deposit of $7,500. The other will have a 3-1/2 year maturity and have no minimum amount and ceiling on its rate. The 91-day certificate, designed to have a market yield and be more liquid to compete with money market funds, will not successfully compete with the funds. Their minimum deposit is too high, their yield is not high enough and they are still not as liquid as money market funds. The new instrument will be competitive with passbook savings accounts. Currently at mutual savings banks, 72% of passbook accounts have balances of $5,000 or more and 52% have balances of $10,000 or more. The potential for a major shift from passbook accounts to these new certificates is great. This will only raise the average cost of funds for thrifts and accelerate their capital drain.

The performance for thrifts of the other instrument approved by the DIDC will depend heavily on the appetite for these funds of commercial banks. Thrifts, whose earning capability is inferior to commercial banks, would be at a disadvantage in head-to-head competition for these funds.

Housing Activity

The extremely high level of mortgage interest rates continues to plague the economy and prolong the depression in the housing industry. In February, existing

home sales reached a 1.9 million unit annual rate, an increase of only 2% from the weather-depressed January level. The 40-month decline in existing sales has meant $240 billion by a loss in home sales which 3.4 million households were hurt.

Housing construction also continues to suffer. Houses were started in February at a 953,000 unit rate--the seventh consecutive month below one million units. Never before in the post-war period have housing starts remained below a million for more than three months.

The outlook for home sales and construction still calls for a turnaround beginning this Spring and continuing in a very gradual growth path throughout 1983 and 1984. The sluggish start for 1982 will probably keep the industry from reaching last year's anemic activity.

The recovery is expected to return existing home sales to the three million unit evel during 1983 and to 3-1/2 million in 1984. Housing starts will recover slightly in 1982 and increase further during 1983 and 1984. Even so, only 6.5 million new homes will be started during the first 5 years of the 1980's compared to construction of over 10 million new units needed to house the increasing number of households.

Median home prices in February were $1,800 higher than January and 5.9% higher than a year earlier. Despite this slight acceleration in housing prices, the appreciation rate is low by historical standards and below the overall rate of inflation. It is expected that the next 6 months will continue this sluggish price performance, but by late 1982 and 1983 home prices will be accelerating more rapidly than inflation thanks to demographic pressures to obtain homes. This real increase in home prices should continue through 1984.

Commercial and Industrial Real Estate

The value of new commercial and industrial building increased again in February as new office buildings put in place rose to an annual rate of $22.1 billion, up from $21 billion in January. This higher office building activity more than offset slight declines in industrial construction ($17.1 billion put-in-place in February compared with $17.2 billion in January) and other commercial buildings ($15.4 billion put-in-place in February compared to $15.8 billion in January).

Unfortunately, this strength in office construction is likely to fall off by mid-year. F.W. Dodge reports that contracting for new office building declined to a 250 million square feet annual rate, compared with the over 300 million square feet average in 1981. Fairly substantial declines in industrial building construction are also expected in the first 6 months of this year as industrial production remains sluggish, interest rates high and excess capacity abounds in most nondefense industries.

Overall, new nonresidential construction is likely to fall 4.5% this year, although this decline seems more dramatic in part because of the exceptionally strong rate of construction of office buildings in 1981. The downturn should end in early 1983 with growth rates of 1-2% being achieved next year.

Table 1

U.S. ECONOMIC OUTLOOK

APRIL 1982

	QUARTERS							YEARS					
	Actual	Forecast						Actual			Forecast		
AGGREGATE ECONOMY	81:4	82:1	82:2	82:3	82:4	83:1	83:2	1979	1980	1981	1982	1983	1984
Gross National Product ($ billions)	2,998	3,004	3,039	3,117	3,213	3,298	3,368	2,414	2,626	2,926	3,093	3,416	3,771
Percent Change	4.6	0.7	4.8	10.6	12.9	11.0	8.8	12.0	8.8	11.4	5.7	10.4	10.4
Percent Change (without inflation)	-4.5	-4.4	-1.4	3.6	4.3	3.1	1.3	3.2	-0.2	2.0	-1.5	2.8	3.0
Consumption	-2.2	2.3	-0.9	3.8	3.5	4.2	0.7	2.9	0.5	2.5	0.9	2.9	2.6
Durables	-18.9	13.6	-6.0	21.9	13.4	3.0	-7.0	0.2	-7.4	2.6	0.7	5.5	3.8
Nondurables	-0.1	-1.4	0.1	1.5	1.3	2.5	1.9	2.6	1.1	2.5	0.3	1.7	1.8
Services	1.7	2.2	-0.1	0.8	2.3	6.0	2.2	4.1	2.6	2.6	1.5	3.1	2.9
Residential Investment	-27.5	-3.4	18.1	36.5	49.1	19.8	-2.5	-5.2	-18.6	-6.1	-4.7	18.3	6.9
Nonresidential Investment	-2.9	-13.8	-9.5	-2.3	4.9	4.3	2.1	6.5	-3.0	2.5	-5.3	2.6	6.0
Structures	9.2	-14.7	-12.3	-7.3	-4.3	-0.3	1.2	8.7	-0.1	5.4	-4.5	-2.2	2.3
Equipment	-7.9	-13.4	-8.1	0.1	9.4	6.5	2.5	5.5	-4.2	1.3	-5.6	4.9	7.7
Exports	-6.6	-6.4	0.1	1.2	4.1	5.2	6.4	15.2	9.6	-0.4	-3.1	4.4	5.0
Imports	4.5	2.3	1.2	4.3	7.8	7.3	4.5	6.0	-0.1	5.9	4.2	5.6	4.3
Government Purchases	10.2	-1.2	-6.6	-2.0	-1.3	-2.1	-0.5	1.5	2.9	0.6	-0.7	-1.5	0.5
Consumption (% of GNP)	63.9	65.0	65.1	65.1	65.0	65.1	65.0	62.8	63.2	63.5	65.0	65.1	64.9
Residential Investment (% of GNP)	2.6	2.6	2.8	3.0	3.2	3.4	3.3	4.0	3.2	3.0	2.9	3.3	3.5
Nonresidential Investment (% of GNP)	10.9	10.6	10.4	10.2	10.2	10.2	10.3	11.0	10.7	10.8	10.3	10.3	10.6
Inventory Change ($ billions)	9.4	-17.3	-7.1	2.1	8.6	7.2	12.8	17.5	-5.9	16.2	-3.4	10.5	18.5
Mfg. Capacity Utilization Rate (%)	75	72	71	72	74	75	75	86	79	78	72	75	76
Auto Sales (millions of units)	7.4	8.2	7.5	8.4	8.9	9.1	9.0	10.6	9.0	8.6	8.3	9.2	9.5
Manufacturing Industrial Production (% change)	-18.5	-13.9	0.1	9.8	11.5	7.7	2.3	4.6	-4.5	2.4	-5.3	6.7	4.4
Common Market	4 4	-0.6	0.1	3.1	4.1	3.2	2.3	4.7	0.2	-2.2	0.9	2.6	2.1
Japan	11.9	3.4	4.9	3.1	5.9	8.3	6.0	8.2	6.8	3.1	5.4	5.3	2.9
Employment (millions)	100.0	99.4	99.3	99.6	100.3	100.9	101.5	98.8	99.3	100.4	99.7	101.9	104.5
Unemployment Rate (%)	8.4	8.8	9.3	9.5	9.3	9.2	9.1	5.9	7.2	7.6	9.2	9.0	8.6
Disposable Income per Household (average)	26,885	27 183	27,592	28,512	29,147	29,780	30 278	21,565	23,748	26,042	28,109	30,834	33 610
Percent Change -- Year Ago (w/o inflation)	1.2	0.5	0.6	2.0	2.3	2.9	2.6	2.2	-0.1	1.2	1.3	2.6	2.1
Total Taxes per Household (average)	13,536	13,401	13 527	13,471	13 747	13,930	14 128	11 106	12 057	13,477	13,537	14,100	15,026
Percent Change -- Year Ago	6.7	0.4	1.1	-1.3	1.6	4.0	4.4	10.5	8.6	11.8	0.4	4.2	6.6
Percent of Disposable Income	50.3	49.3	49.0	47.2	47.2	46.8	46.7	51.5	50.8	51.8	48.2	45.8	44.7
Household Debt as Percent of Disposable Income	76.5	76.7	76.5	75.2	75.1	75.2	75.6	80.2	79.4	77.5	75.9	75.0	75.2
Consumer Price Inflation (CPI)	7.8	4.2	5.6	7.2	8.2	8.6	8.5	11.3	13.5	10.3	6.9	8.2	8.5
Gross National Product Inflation (GNP Deflator)	9.5	5.4	6.3	6.8	8.3	7.6	7.4	8.5	9.0	9.2	7.3	7.4	7.2
Personal Consumption Inflation	7.6	5.5	5.2	6.2	6.9	7.5	7.1	8.9	10.2	8.3	6.5	6.9	6.8
Residential Construction Inflation	6.4	8.3	7.7	8.9	10.1	9.9	9.9	12.8	9.4	6.9	7.7	9.6	8.6
Nonresidential Construction Inflation	10.2	8.9	7.7	9.4	10.6	10.6	10.6	12.6	13.4	9.5	9.4	10.1	8.9
Producers Price Inflation (WPI)	0.7	0.9	3.0	6 6	9.2	9.2	8.0	12 5	14.1	9.1	3.4	8.2	8.4
Compensation per Manhour (% change)	6.2	9.3	7.6	7.5	8.1	8.5	8.4	9.7	9.9	10.0	8.1	8.3	9.0
Productivity (% change)	-6.6	-3.0	-0.3	4.0	3.4	2.6	1.7	-0.7	-0.3	0.9	-1.6	2.4	1.4
Unit Labor Cost (% change)	13.8	12.7	7.9	3.3	4.5	5.7	6.6	10.4	10.3	9.0	9.8	5.8	7.5
Unit Capital Cost (% change)	8.8	8.4	8.1	7.8	7.6	7.5	7.5	11.3	11.3	9.8	8.0	7.6	8.4
Before Tax Corporate Profits ($ billions)<1>	241	203	194	209	224	236	241	255	258	262	208	246	274
Corporate Tax Liability	69	56	54	59	65	67	69	88	82	78	58	70	77
'Windfall Profits' Tax Receipts	26	24	21	22	24	22	21	0	13	29	23	22	23
Inventory Valuation Adjustment	-22	-5	-9	-14	-19	-24	-22	-43	-46	-28	-12	-25	-34
Capital Consumption Adjustment	-13	-10	-7	-3	0	1	1	-16	-17	-14	-5	1	2
After Tax Profits	145	123	119	128	136	147	151	168	163	156	127	154	174
Profits from Current Production (with IVA, CCA)	110	108	104	111	117	124	129	109	100	114	110	130	143
Adjusted for Inflation (81:4 base)	110	107	101	106	110	114	117	134	113	118	106	116	119
Percent Change - Year Ago	3.1	-13.1	-15.6	-12.1	-0.4	7.2	15.7	-1.6	-15.7	4.2	-10.5	10.1	2.5
Per Unit of Output (% of GNP)	3.7	3.6	3.4	3.5	3.6	3.8	3.8	4.5	3.8	3.9	3.5	3.8	3.8
Effective Corporate Tax Rate (%)<1>	39	36	35	36	37	36	36	45	45	41	36	36	36
Federal Tax Receipts (Unified basis)	586	534	725	588	568	571	777	481	533	622	604	650	711
Federal Expenditures (Unified basis)	779	711	723	706	770	784	796	509	601	695	727	797	852
Surplus or Deficit (Unified basis)	-203	-177	2	-118	-201	-213	-19	-28	-68	-75	-123	-146	-141
% of GNP	-6.8	-5.9	0.1	-3.8	-6.3	-6.5	-0.6	-1.2	-2.6	-2.5	-4.0	-4.3	-3.8
% of Personal Savings	-39.6	-37.3	0.4	-18.5	-31.1	-34.2	-3.0	-9.2	-18.1	-17.1	-21.6	-20.9	-17.3
% of Total Private Savings	-10.0	-8.7	0.1	-5.3	-8.7	-9.0	-0.8	-1.8	-4.0	-3.9	-5.6	-5.8	-5.0

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

Table 2

REAL ESTATE AND FINANCIAL MARKETS — APRIL 1982

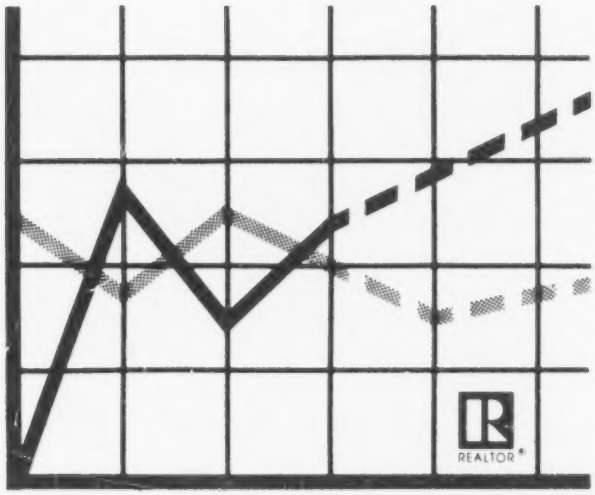
	QUARTERS							YEARS					
	Actual	Forecast						Actual			Forecast		
	81:4	82:1	82:2	82:3	82:4	83:1	83:2	1979	1980	1981	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	1.923	1,960	2,166	2,490	2,742	2,888	2,972	3,701	2.881	2,352	2,339	3,067	3.561
Percent Change - Year Ago	-34.6	-24.6	-17.6	10.5	42.6	47.4	37.2	-4.2	-22.2	-18.4	-0.5	31.1	16.1
Dollar Volume (billions)	149.2	153.3	174.8	207.8	225.9	242.6	257.3	237.6	209.7	183.3	190.5	268.1	340.0
Existing Home Prices - Median ($1000's)	66.2	67.2	69.7	72.4	71.7	73.3	75.7	55.7	62.2	66.4	70.2	76.3	83.7
Percent Change - Year Ago	4.5	4.4	4.9	7.1	8.4	9.1	8.5	14.1	11.7	6.6	6.2	8 7	9.6
Monthly Mortgage Payments (P&I, 80%, 30 yr.)	795	779	754	770	785	816	810	433	588	742	772	822	901
Percent of Household Income	30	29	28	28	28	28	27	20	25	29	28	27	28
New Single-Family Home Sales (thousands)	402	386	465	522	510	510	562	704	545	437	471	591	617
Percent Change - Year Ago	-27.3	-26.1	2.1	41.3	26.8	32.1	20.9	-13.7	-22.5	-19.8	7.6	25.6	4.4
New Home Prices - Median ($1000's)	69.6	70.3	71.7	73.5	75.6	77.6	79.7	62.7	64.7	68.9	72.8	80.8	88.8
Percent Change - Year Ago	5.2	4.8	3.9	5.4	8.6	10.4	11.2	12.5	3.1	6.4	5.7	11.0	10.0
New Home Prices--Mean ($1000's, Quality Adjusted)	86.7	90.2	92.6	93.4	94.5	98.4	101.0	71.4	78.5	85.3	92.7	101.2	110.2
Percent Change - Year Ago	8.0	8.3	8.6	8.7	9.0	9.1	9.1	14.8	10.1	8.6	8.6	9.2	8.9
New Mortgage Commitments ($ billions)	45.3	52.2	64.8	81.2	99.9	83.8	65.6	129.0	87.1	60.2	74.5	60.2	88.9
Percent Change - Year Ago	-52.6	-33.2	-6.6	69.5	120.7	60.4	1.2	-8.8	-32.5	-30.9	23.8	-19.2	47.5
Mortgage Debt Outstanding ($ billions)	1,555	1,588	1,620	1,657	1,696	1,730	1,763	1,266	1,401	1,512	1,640	1,780	1,944
Homeowners' Equity ($ billions)	2,284	2,317	2,343	2,383	2,454	2,545	2 644	1,911	2,047	2,208	2,375	2.698	3,113
Housing Inventory (millions)	84.7	84.8	84.8	85.0	85.1	85.3	85.5	82.8	83.8	84.5	84.9	85.6	86.4
Private Housing Starts (thousands)	865	922	1,016	1,200	1,403	1,343	1,357	1,717	1,298	1,100	1,135	1,357	1,500
Single-Family	537	622	668	822	987	914	932	1,172	855	714	775	928	1,058
Multi-Family	328	301	347	378	417	428	424	546	443	386	361	430	442
Subsidized	157	147	143	136	113	75	57	175	173	115	135	52	10
Mobile Home Shipments (thousands)	207	202	196	211	234	247	240	276	223	240	211	238	240
Rental Vacancy Rate (%)	5.0	5.0	4.9	4.8	4.8	4.7	4.7	5.4	5.4	5.0	4.9	4.7	4.5
Unsold New Homes (% of sales)	76.6	76.3	76.9	71.6	67.3	64.5	67.2	59.6	68.4	75.6	73.0	66.6	71.3
Office Vacancy Rate (%)<1>	4.8	5.0	5.0	4.9	4.9	4.8	4.7	4.4	3.7	4.3	5.0	4.6	4.2
Industrial Vacancy Rate (%)<1>	3.8	4.0	4.1	4.2	4.4	4.3	4.3	3.0	3.5	3.7	4.2	4.3	3.9
New Commercial Building Construction (% Ch Value)	9.8	-10.9	2.2	1.0	4.1	10.5	17.2	33.8	21.7	11.7	0.8	9.4	13.7
New Industrial Building Construction (% Ch Value)	6.4	-29.8	-30.9	2.7	19.4	14.3	17.9	37.2	-6.7	20.8	-6.0	12.4	24.5
FINANCIAL MARKETS													
Personal Savings Rate (%)	6.1	5.6	6.2	7.2	7.1	6.7	6.7	5.3	5.6	5.3	6.5	7.1	7.6
Money Supply (M1b) (% change)	5.9	11.4	2.1	6.1	2.4	4.4	2.1	7.8	6.2	6.7	5.8	3.7	4.0
Money Supply (M2) (% change)	9.2	10.5	5.0	7.9	9.5	8.1	7.4	8.9	8.7	9.1	8.7	8.0	8.6
Total Time and Savings Deposits (% change)	6.2	6.0	7.0	8.8	8.4	7.4	6.4	8.6	7.5	8.7	6.7	7.5	7.9
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	17.95	17.29	16.10	15.80	16.29	16.59	15.91	11.27	14.00	16.71	16.37	16.03	16.01
Real Mortgage Rate	8.44	11.94	9.82	9.05	8.03	9.00	8.52	3.21	4.24	7.84	9.71	8.53	9.00
Assumption Rate	13.54	11.97	11.59	11.78	11.92	12.11	12.06	NA	10.95	12.85	11.82	11.91	11.16
Seller Take Back Mortgage Rate	13.20	12.60	12.20	12.40	12.55	12.75	12.70	NA	11.25	13.15	12.44	12.54	11.75
Blended Rate	15.00	14.63	13.92	13.80	14.16	14.40	14.01	10.36	12.23	14.15	14.13	14.11	14.30
Corporate Bond Rate (AAA)	14.62	15.00	14.63	14.26	14.35	14.37	14.28	9.63	11.94	14.17	14.56	14.19	14.08
Government Bond Rate	14.11	14.19	12.62	12.34	12.84	13.64	13.73	9.62	11.51	14.34	13.00	13.34	12.89
Real Long-term Government Bond Rate	4.61	8.83	6.35	5.59	4.58	6.04	6.34	1.56	1.75	5.47	6.34	5.85	5.88
Federal Funds Rate	13.59	13.91	12.59	12.20	13.77	14.96	16.50	11.19	13.36	16.38	13.12	15.67	14.51
3 Month Treasury Bills	11.75	12.87	11.74	11.38	12.53	13.43	14.41	10.07	11.43	14.03	12.13	13.99	13.10
1 Year Treasury Bills	13.55	14.08	12.53	12.32	13.11	13.85	14.61	10.67	12.05	14.78	13.01	14.13	13.16
Commercial Paper Rate	13.04	13.72	12.44	12.18	13.63	14.82	16.06	10.97	12.66	15.33	12.99	15.54	14.41
Rate on Money Market Fund Shares	13.31	13.95	12.65	12.38	13.86	15.08	16.34	11.12	12.89	15.68	13.21	15.83	14.67
Prime Rate	17.01	16.57	14.96	14.57	15.95	16.69	16.97	12.67	15.27	18.87	15.51	16.97	15.61

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

A7000-1 7/28/82

OUTLOOK FOR THE ECONOMY AND REAL ESTATE



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May 1982

THE U.S. ECONOMIC AND REAL ESTATE OUTLOOK

Despite continued progress in the fight against inflation, the economy remains in the grip of recession as the prospect of exploding federal deficits keeps interest rates high. Nevertheless, some slight declines in both short and long-term rates are likely by early Fall this year. This should encourage a modest improvement in housing activity and permit an anemic and shortlived recovery of the overall economy in the second half of the year.

General Economy

According to initial estimates, the nation's output of all goods and services declined at a 3.9% annual rate during the first 3 months of the year. Most of this decline was the result of the rundown in inventories as businesses adjusted production levels to match the recession-induced slowdown in sales. Such declines in business inventories normally precede the next recovery by about 6 months.

In addition to a drop in the inventories, declines in investment in housing, new plant and equipment expenditures and exports also contributed to the fall in national output in the first quarter.

The latest decline in national output leaves GNP down 2.1% from the peak achieved in the third quarter last year--about average for post-war recessions.

While GNP is expected to fall again in the second quarter of the year, the decline is expected to be more modest than during the past 6 months--around 2.4% at an annual rate. The next recovery should begin late this year as the next scheduled round of personal tax cuts and increases in government entitlement program expenditures boost consumer spending. Unfortunately, the upturn is likely to be below normal strength as growing demand for credit collides with an exploding federal deficit and interest rates are forced up again.

Although the recovery is expected to continue at a restrained pace through next year, overall growth in 1983 is forecast to reach only 2.8%. Following the stagnant growth experienced since 1980, this represents a very poor economic performance. Overall growth may improve slightly in 1984 to around 3.6% as nonresidential investment activity picks up. Even so, this will mean that the average growth rate for the first 5 years of the 1980's will reach just 1.3%--nearly 2% below normal.

The encouraging economic news is that consumer price inflation has dropped dramaticaly as the economy fell into the depths of the current recession. The consumer price index rose at an annual rate of just 3.2% during the first 3 months of the year--well below the double-digit rates of the past 3 years. Much of the improvement has been due to falling world oil prices, slow growth in food costs and to slight declines in new home prices and mortgage interest rates. Nevertheless, there are also more fundamental factors at work. A significant slowdown in wage claims, particularly in manufacturing industries hard hit by

the recession such as automobiles and steel, has lowered the labor cost rises to around 8.5%, a significant drop from the near double-digit rates which prevailed over the last 3 years. This moderation in labor cost increases should continue over the next 2 years, especially when worker productivity starts to improve again in 1983 and 1984. While it is unlikely that inflation will stay around current levels for the rest of the year, the good start to this year should keep inflation for 1982 as a whole at around 6% with a slight increase to 7.4% next year and 8.3% in 1984.

Federal Economic Policy

Normally, a slowdown in inflation and inflationary expectations is quickly reflected in lower long-run interest rates. This process should also be reinforced by the reduced demands for borrowing which accompany economic recessions such as the current downturn.

While short-term interest rates have generally fallen from last year's record levels, however, long-term rates--including those on mortgages--have yet to incorporate the improved inflationary outlook.

Primarily long-term interest rates have remained high because money markets expect the paralysis of leadership in the federal government to continue, leading to an explosion in federal deficits over the next few years.

Even some members of the Administration now concede that without prompt action by Congress to trim spending and enhance revenues, the FY1983 budget deficit will hit $182 billion; the deficit could reach $216 billion in FY1984 and $233 billion in FY1985. Exploding federal deficits of this size absorb a huge share of the available supply of private savings, crowding out investment in housing and new, productivity-increasing plant and equipment and push up interest rates.

Moreover, the magnitude of the problem requires strong corrections resources. To restore confidence to financial markets and lower long-term interest rates, the FY1983 deficit needs to be held to below $100 billion--more than $80 billion below current estimates. Even larger reductions in later years with the FY1984 deficit kept below $75 billion (down from $216 billion under current estimates); $50 billion in FY1985 and decline to a balance by FY1986.

Achieving deficit reductions of this size will require slowing the growth of defense spending, reducing the growth of benefit programs (including limiting the size of cost-of-living adjustments), cutting other federal spending, delaying next year's scheduled personal tax rate reductions and increasing taxes on consumption.

While these are difficult and substantial measures to adopt, the potential benefits are considerable and must be achieved: Our preliminary analysis shows that deficits limited to $100 billion in 1983, $75 billion in 1984, $50 billion in 1985, and balance in 1986 could cause short-term interest rates to drop

within 90 days by as much as 4 percentage points. Mortgage rates could drop by 3 percentage points within 6 months which would triple American households eligible for homeownership, and would likely result in nearly one million additional households owning the homes they need each year. In turn, would mean $4 billion total or $7,000 more income for each member each year and increase employment, income and output of all Americans.

Interest Rates and Mortgage Markets

New mortgage interest rates at banks have declined slightly over the last 2 months from 17.5% at the end of February to 16.9% at the end of April. These mortgage interest rates are forecast to continue this slow decline through June as the soft economy and lower inflationary expectations continue to allow short-term interest rates to drift downward. It is expected that new mortgage commitment rates will bottom in late Summer at around 15.5%.

Rising demand for funds as the economy resumes growth should start interest rates rising again late this year. With the prospects of massive federal deficits--over $160 billion a year--over the next 2 years placing unprecedented drains on the supply of savings interest rates are expected to rise back up to near record levels next year. It is forecast that mortgage rates will peak at over 16.5% during the first half of next year and average over 16% in both 1983 and 1984, unless economic policies are changed.

The modest improvement in mortgage rates since February has yet to be reflected in increased mortage lending by insured savings and loans. Mortgage lending was up only seasonally from February to March even though interest rates were declining and deposits and liquidity increased. Deposit balances rose $5.2 billion at S&L's in March. Even though this was due to end of quarter interest credited as new net deposits declined, savings association liquidity was up as liquid asset holdings of associations rose by $1.4 billion after a $2.6 billion increase in February. The aggregate S&L liquidity ratio stood at 9.16%, which was higher than at any time since February 1981 when it stood at 9.19%.

Mutual savings banks continued to suffer deposit declines, however, as total deposits declined $775 million for March--reversing a $540 million increase in February. The National Association of Mutual Savings Banks reported a $971 decline in mortgage loans outstanding.

Commercial banks also had a deposit decline during March as the Federal Reserve reported that larger commercial banks recorded a drop in total deposits of nearly $10 billion. Real estate lending by commercial banks, however, was up more than $500 million over the same period.

With interest rates falling and deposits increasing with tax returns over the next 2 months, it is expected that mortgage lending activity will increase during May and June. However, commitment activity will still be less for the second quarter of 1982 than it was for the second quarter of 1981. New mortgage commitments will reach an annual rate of nearly $65 billion for the second

quarter and will increase to an annual rate of $76 billion for the third quarter. The commitment rate for 1982 will be near $73 billion.

Residential Real Estate

Since January, the rate of existing home sales and housing starts have both improved, but both remain extraordinarily weak. Existing home sales had their worst first quarter since 1970, with only 420,000 transactions. Similarly, only 178,000 housing units were started in the first quarter, the poorest beginning quarter to a year in the post-war period.

Only active participation in providing financing on the part of sellers of existing homes and builders of new homes has allowed even this level of activity in the face of mortgage interest rates which stubbornly refuse to fall below 17.5%. That participation usually means that purchasers end up with a mortgage interest rate between 12 and 13%, at least in the early years of the mortgage.

The outlook requires continued seller participation, since mortgage interest rates are forecast to decline only a little between now and 1984. Adjustment to these higher interest rates, coupled with intense demographic pressure for housing, will provide a gradual but sustained recovery in housing sales. Some readjustment in consumer expectations will still be required since the proportion of household income devoted to housing is moving closer to the worldwide average of 40% from the bargain levels to which Americans are accustomed.

Existing home sales are expected to move back above a 2 million unit annual rate in the Spring and to push the 3 million barrier by early 1983. Slightly more than 3 million existing homes should be sold in 1983 and approximately 3.6-3.7 million could change hands in 1984. In the new home construction market, the start rate should move back above one million in April or May and to reach almost 1.4 million by year-end. Starts are expected to remain in the 1.3 to 1.5 million unit range through 1984.

Homes are a bargain at the present time. For 2 years, prices on average have increased less rapidly than the rate of inflation. If the current inflation levels can be maintained, however, the bargain status will quickly disappear. In March, the median existing home price was $67,200, only 4.4% higher than a year ago. Sluggish price performance can be expected for the next 6 months, while excess inventories of existing homes are worked down, but by year-end or in 1983, the rate of increase in home prices will be about the same as the inflation rate. By 1984, home price increases should reach around 9.5%--slightly above the inflation rate expected in that year.

Commercial and Industrial Investment

With the gloss finally coming off the booming office construction market, overall nonresidential investment should start to decline this year, despite the

tax incentives enacted in 1981. Last year, declines in industrial construction (down 14%) and retail building (down 9%) were offset by a substantial upturn in office construction. The F W. Dodge Company reported a 30% increase in new construction contracts for office buildings in 1981 with over 300 million square feet contracted. New contracts for office building have already fallen substantially from these unsustainable levels as the overall economy weakened and the previous shortage of office space has been reduced by new construction during the past 2 years.

The predicted downturn in new office building in the second half of 1982 will reinforce further declines in retail and industrial building this year. The capacity utilization rate in industry is expected to remain below 80% (compared with a normal 93%), new industrial construction activity is expected to fall about 8% this year, but to rebound in 1983 with a 6% increase. Retail store construction is expected to fall 6% this year but rise 5% in 1983.

Table 1

U.S. ECONOMIC OUTLOOK

MAY 1982

	QUARTERS							YEARS					
	Actual		Forecast					Actual			Forecast		
	81:4	82:1	82:2	82:3	82:4	83:1	83:2	1979	1980	1981	1982	1983	1984
AGGREGATE ECONOMY													
Gross National Product ($ billions)	2,998	2,995	3,014	3,085	3,179	3,255	3,320	2,414	2,626	2,926	3,068	3,371	3,736
Percent Change	4.6	-0.4	2.5	9.9	12.7	9.9	8.2	12.0	8.8	11.4	4.9	9.8	10.8
Percent Change (without inflation)	-4.5	-3.9	-2.4	3.7	4.8	2.5	1.3	3.2	-0.2	2.0	-1.5	2.8	3.6
Consumption	-2.2	4.0	-1.6	4.2	3.9	3.0	1.2	2.9	0.5	2.5	1.3	2.7	3.1
Durables	-18.9	14.6	-10.8	20.1	13.8	7.8	-2.7	0.2	-7.4	2.6	-0.2	6.7	5.5
Nondurables	-0.1	1.0	-1.3	1.1	1.9	2.2	2.3	2.6	1.1	2.5	0.7	1.6	2.0
Services	1.7	3.4	0.9	2.4	2.5	2.2	1.6	4.1	2.6	2.6	2.2	2.3	3.2
Residential Investment	-27.5	-10.7	24.9	39.2	43.6	18.4	-2.9	-5.2	-18.6	-6.1	-5.5	17.9	10.4
Nonresidential Investment	-2.9	-0.7	-24.4	-8.2	-0.9	4.3	5.3	6.5	-3.0	2.5	-6.1	0.9	7.6
Structures	9.2	-5.3	-21.3	-7.7	-4.8	-0.5	0.9	8.7	-0.1	5.4	-4.0	-3.1	2.7
Equipment	-8.0	1.5	-25.7	-8.5	1.0	6.7	7.4	5.5	-4.2	1.3	-7.1	2.8	9.8
Exports	-6.6	-9.1	-3.2	2.3	3.6	4.9	5.0	15.2	9.6	-0.4	-4.3	4.0	5.5
Imports	4.5	-7.9	-3.8	3.4	4.8	5.8	4.1	6.0	-0.1	5.9	0.2	4.4	5.5
Government Purchases	10.2	0.5	-7.1	-1.8	-0.1	-4.1	-0.2	1.5	2.9	0.6	-0.2	-1.7	0.4
Consumption (% of GNP)	63.9	65.2	65.3	65.4	65.2	65.3	65.3	62.8	63.2	63.5	65.3	65.2	64.9
Residential Investment (% of GNP)	2.6	2.6	2.7	3.0	3.2	3.3	3.3	4.0	3.2	3.0	2.9	3.3	3.5
Nonresidential Investment (% of GNP)	10.9	10.9	10.3	10.0	9.8	9.9	10.0	11.0	10.7	10.8	10.2	10.1	10.4
Inventory Change ($ billions)	9.4	-40.0	-18.4	-8.0	2.5	5.3	5.0	17.5	-5.9	16.2	-16.0	8.3	20.8
Mfg. Capacity Utilization Rate (%)	75	71	71	72	73	74	74	86	79	78	72	75	77
Auto Sales (millions of units)	7.4	8.2	7.4	8.4	8.9	9.1	8.7	10.6	9.0	8.6	8.3	9.1	9.8
Manufacturing Industrial Production (% change)	-18.3	-14.3	-1.8	7.5	11.4	6.2	3.3	4.6	-4.5	2.4	-6.0	6.5	6.0
Common Market	4.4	-0.7	0.0	3.0	4.2	3.3	2.4	4.7	0.2	-1.9	0.8	2.7	2.9
Japan	11.2	-0.2	3.4	3.4	5.4	6.1	2.4	8.2	6.8	3.0	4.0	4.3	4.9
Employment (millions)	100.0	99.6	99.3	99.7	100.3	101.0	101.7	98.8	99.3	100.4	99.7	102.1	104.7
Unemployment Rate (%)	8.4	8.8	9.3	9.4	9.3	9.1	9.0	5.9	7.2	7.6	9.2	8.9	8.4
Disposable Income per Household (average)	26,885	27,166	27,434	28,257	28,881	29,305	29,763	21,565	23,748	26,042	27,935	30,320	33,185
Percent Change -- Year Ago (w/o inflation)	1.2	0.5	0.5	1.7	2.2	2.1	1.9	2.2	-0.1	1.2	1.2	2.0	2.6
Total Taxes per Household (average)	13,528	13,361	13,411	13,331	13,616	13,969	14,157	11,106	12,057	13,475	13,430	14,153	15,204
Percent Change -- Year Ago	6.6	0.2	0.2	-2.3	0.7	4.5	5.6	10.5	8.6	11.8	-0.3	5.4	7.4
Percent of Disposable Income	50.3	49.2	48.9	47.2	47.1	47.7	47.6	51.5	50.8	51.8	48.1	46.7	45.8
Household Debt as Percent of Disposable Income	76.5	76.4	76.2	74.7	74.1	74.3	74.5	80.2	79.4	77.5	75.4	73.7	72.5
Consumer Price Inflation (CPI)	7.8	3.2	2.9	5.5	6.7	7.8	8.8	11.3	13.5	10.3	5.8	7.4	8.3
Gross National Product Inflation (GNP Deflator)	9.5	3.6	5.0	5.9	7.6	7.2	6.8	8.5	9.0	9.2	6.4	6.9	7.0
Personal Consumption Inflation	7.6	5.1	3.5	5.7	6.3	7.3	6.6	8.9	10.2	8.3	6.0	6.4	6.7
Residential Construction Inflation	6.4	5.5	5.2	6.8	8.3	8.0	7.9	12.8	9.4	6.9	6.2	7.8	8.5
Nonresidential Construction Inflation	10.2	4.9	5.5	7.2	8.8	8.9	8.8	12.6	13.4	9.5	7.5	8.5	9.2
Producers Price Inflation (WPI)	0.7	0.4	-0.9	5.0	7.0	7.1	7.7	12.5	14.1	9.1	2.2	6.7	8.6
Compensation per Manhour (% change)	6.2	8.9	7.0	7.0	8.0	8.0	7.9	9.7	9.9	10.0	7.9	7.9	8.8
Productivity (% change)	-6.6	-0.6	0.3	5.5	2.5	1.9	1.7	-0.7	-0.3	0.9	-0.7	2.2	1.9
Unit Labor Cost (% change)	13.8	9.6	6.7	1.5	5.4	6.0	6.1	10.4	10.3	9.0	8.6	5.6	6.8
Unit Capital Cost (% change)	8.8	8.3	8.0	7.6	7.2	6.9	6.8	11.3	11.3	9.8	7.8	6.9	7.6
Before Tax Corporate Profits ($ billions)<1>	239	201	181	193	207	213	215	255	258	262	195	223	264
Corporate Tax Liability	69	56	50	55	60	60	60	88	82	78	55	63	75
'Windfall Profits' Tax Receipts	26	24	22	23	24	23	22	0	13	29	23	22	24
Inventory Valuation Adjustment	-22	-11	-5	-10	-15	-18	-20	-43	-46	-28	-10	-22	-28
Capital Consumption Adjustment	-13	-10	-6	-2	2	3	4	-16	-17	-14	-4	4	4
After Tax Profits	144	120	109	115	123	131	133	168	163	156	117	138	165
Profits from Current Production (with IVA, CCA)	109	100	99	103	109	116	117	109	100	114	103	120	141
Adjusted for Inflation (82:4 base)	109	99	97	99	103	108	107	134	113	118	100	109	120
Percent Change - Year Ago	2.0	-19.2	-19.1	-17.5	-5.1	9.0	10.9	-1.6	-15.7	3.9	-15.5	9.4	9.9
Per Unit of Output (% of GNP)	3.6	3.3	3.3	3.3	3.4	3.6	3.5	4.5	3.8	3.9	3.3	3.6	3.8
Effective Corporate Tax Rate (%)<1>	40	37	35	36	37	35	35	45	45	41	36	36	36
Federal Tax Receipts (unified basis)	589	553	714	571	550	567	771	481	533	623	597	646	712
Federal Expenditures (unified basis)	782	669	721	709	769	778	798	509	596	695	717	793	855
Surplus or Deficit (incl. off budget)	-214	-136	-27	-159	-239	-227	-44	-41	-77	-94	-140	-163	-158
% of GNP	7.1	4.5	0.9	5.1	7.5	7.0	1.3	3.5	3.5	4.3	4.5	4.8	4.2
% of Personal Savings	167.1	121.3	21.5	106.9	158.4	167.1	32.3	98.2	95.7	116.8	102.0	105.6	86.1
% of Total Private Savings	42.1	27.8	5.4	29.3	42.9	40.8	7.7	21.1	21.7	26.2	26.3	27.4	23.2

<1> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, Kenneth Kerin, and Glenn Crellin.

Table 2

REAL ESTATE AND FINANCIAL MARKETS — MAY 1982

	QUARTERS							YEARS					
	Actual		Forecast					Actual			Forecast		
	81:4	82:1	82:2	82:3	82:4	83:1	83:2	1979	1980	1981	1982	1983	1984
REAL ESTATE MARKETS													
Existing Single-Family Home Sales (thousands)	1,923	1,933	2,130	2,457	2,776	2,945	3,069	3,701	2,881	2,351	2,324	3,144	3,664
Percent Change - Year Ago	-34.6	-25.6	-19.0	3.0	44.3	52.3	44.0	-4.2	-22.2	-18.4	-1.2	35.3	16.5
Dollar Volume (billions)	149.2	153.3	172.7	204.4	226.6	243.8	260.4	237.6	209.7	184.1	189.3	269.0	340.9
Existing Home Prices - Median ($1000's)	66.2	66.8	69.0	71.3	70.4	71.7	73.8	55.7	62.2	66.4	69.4	74.4	81.4
Percent Change - Year Ago	4.5	3.9	3.8	5.6	6.4	7.3	6.9	14.1	11.7	6.6	4.9	7.2	9.5
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	795	782	745	747	745	770	788	433	588	742	755	797	883
Percent of Household Income	30	29	27	27	26	27	27	20	25	29	27	27	27
New Single-Family Home Sales (thousands)	402	365	403	457	472	462	480	704	545	437	424	500	518
Percent Change - Year Ago	-27.4	-30.2	-11.5	23.7	17.5	26.5	19.0	-13.7	-22.5	-19.8	-3.0	18.0	3.4
New Home Prices - Median ($1000's)	69.4	66.8	67.9	69.1	70.4	71.6	72.6	62.7	64.7	68.8	68.6	73.2	78.1
Percent Change - Year Ago	4.9	-0.1	-1.6	-0.9	1.4	6.7	6.9	12.5	3.1	6.4	-0.3	6.7	6.8
New Home Prices--Mean ($1000's, Quality Adjusted)	87.3	90.0	92.2	93.0	93.9	97.7	100.0	71.4	78.5	85.5	92.3	100.1	108.7
Percent Change - Year Ago	8.7	8.0	8.1	8.3	7.6	8.6	8.5	14.8	10.1	8.8	8.0	8.5	8.5
New Mortgage Commitments ($ billions)	45.3	52.9	57.2	73.9	89.3	70.9	52.6	129.0	87.1	60.2	68.4	56.2	93.9
Percent Change - Year Ago	-52.6	-32.3	-17.5	54.2	97.3	34.0	-8.1	-8.8	-32.5	-30.9	13.6	-17.9	67.2
Mortgage Debt Outstanding ($ billions)	1,544	1,582	1,617	1,654	1,690	1 724	1,755	1,266	1,400	1,508	1,636	1,771	1,922
Homeowners' Equity ($ billions)	2,296	2,290	2,272	2,260	2,268	2,314	2,361	2,010	2 115	2,239	2,273	2,384	2,581
Housing Inventory (millions)	84.7	84.8	84.9	85.0	85.1	85.3	85.5	82.8	83.8	84.5	84.9	85.6	86.4
Private Housing Starts (thousands)	865	919	993	1,168	1,365	1,298	1,303	1,745	1,292	1,085	1,111	1,325	1,538
Single-Family	537	586	650	799	962	890	899	1,194	852	706	749	906	1,092
Multi-Family	328	333	343	369	403	409	403	551	440	379	362	419	446
Subsidized	157	147	143	136	113	75	57	175	173	115	135	52	10
Mobile Home Shipments (thousands)	207	237	245	251	265	270	268	276	223	240	249	267	262
Rental Vacancy Rate (%)	5.0	5.0	5.0	5.0	5.0	5.0	5.1	5.4	5.4	5.0	5.0	5.0	5.1
Unsold New Homes (% of sales)	76.7	76.1	78.6	74.2	69.1	65.8	67.1	59.6	68.4	75.6	74.5	66.5	68.8
Office Vacancy Rate (%)<1>	4.8	5.4	5.5	5.6	5.4	5.2	5.0	4.4	3.7	4.3	5.5	5.0	4.6
Industrial Vacancy Rate (%)<1>	3.8	3.8	4.0	4.2	4.2	4.4	4.5	3.0	3.5	3.7	4.1	4.4	4.1
New Commercial Building Construction (% Ch Value)	9.8	30.6	-27.8	-7.5	2.2	7.5	14.3	33.8	21.7	11.7	2.7	4.1	14.0
New Industrial Building Construction (% Ch Value)	6.2	-24.1	-35.9	-9.7	-7.3	9.7	12.7	37.2	-6.7	20.7	-8.3	2.4	20.8
FINANCIAL MARKETS													
Personal Savings Rate (%)	6.1	5.3	6.0	6.7	6.7	5.9	5.8	5.3	5.6	5.3	6.2	6.4	6.9
Money Supply (M1b) (% change)	5.9	10.6	3.1	3.2	5.4	4.5	1.5	7.7	6.3	7.0	5.6	4.0	4.7
Money Supply (M2) (% change)	9.2	.0.0	9.1	7.6	8.1	7.2	6.9	8.5	8.3	9.8	9.2	7.8	9.0
Total Time and Savings Deposits (% change)	6.2	7.5	8.6	10.6	8.4	6.7	5.5	8.6	7.5	8.7	7.6	7.3	7.2
Selected Interest Rates (Percent)													
New Home Mortgage Commitment Rate	17.95	17.45	16.07	15.56	15.72	15.97	15.89	11.27	14.00	16.71	16.20	15.93	16.15
Real Mortgage Rate	8.44	13.85	11.05	9.65	8.09	8.75	9.09	3.21	4.24	7.84	10.66	8.79	9.27
Assumption Rate	13.54	11.97	11.59	11.78	11.92	12.11	12.06	NA	10.95	12.85	11.82	11.91	11.16
Seller Take Back Mortgage Rate	12.80	12.50	12.10	12.30	12.50	12.70	12.70	NA	11.25	13.15	12.35	12.54	11.75
Blended Rate	15.00	14.73	13.91	13.64	13.80	14.01	14.00	10.36	12.23	14.15	14.02	14.05	14.38
Corporate Bond Rate (AAA)	14.62	15.01	14.00	13.12	12.98	13.00	13.06	9.63	11.94	14.17	13.78	12.98	13.07
Government Bond Rate	14.11	14.45	12.86	12.18	12.61	13.13	13.48	9.62	11.51	14.34	13.02	13.13	12.69
Real Long-term Government Bond Rate	4.61	10.84	7.84	6.27	4.98	5.91	6.69	1.56	1.75	5.47	7.48	5.99	5.81
Federal Funds Rate	13.59	13.93	13.28	12.78	13.66	14.89	16.21	11.19	13.36	16.38	13.41	15.41	13.94
3 Month Treasury Bills	11.75	12.81	12.15	11.96	12.45	13.20	13.98	10.07	11.43	14.03	12.34	13.61	12.62
1 Year Treasury Bills	13.55	14.33	13.28	12.44	12.92	13.66	14.32	10.67	12.05	14.78	13.24	13.88	12.85
Commercial Paper Rate	13.04	13.81	13.77	13.18	13.80	14.62	15.56	10.97	12.66	15.33	13.64	15.10	13.58
Rate on Money Market Fund Shares	13.31	14.06	14.02	13.39	14.02	14.86	15.84	11.12	12.89	15.68	13.87	15.38	13.84
Prime Rate	17.01	16.27	15.92	15.02	15.48	16.55	16.65	12.67	15.27	18.87	15.67	16.67	15.15

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
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